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2005 2nd Quarter
Corporate Reporting

STC

The Bus Company

2005 2nd Quarter Corporate Reporting

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Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its Second Quarter operations in 2005, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a significant impact on the corporation's fiscal position.

Passenger Service:

In the second quarter of 2005, STC coaches traveled 1,576,000 miles, serving 275 Saskatchewan communities.

Revenues for passenger operations in the quarter were $1,598,000, down slightly from the $1,611,000 in revenues realized by the company in the second quarter of 2004. The revenues for the year to date were $3,312,000, up from $3,179,000 in the first six months of 2004.

Expenses associated with operating passenger services were $2,102,000, up slightly from the 2004 figure of $1,883,000. Year-to-date passenger operating expenses were $4,202,000, compared to $3,859,000 in the first six months of 2004.

Operating losses of passenger services in the quarter were $504,000, an increase from the $272,000 in operating loss experienced by passenger services in the second quarter of 2004. The loss for the first six months of the year totals $890,000, compared to $680,000 for the same time period in 2004.

Actual revenues from passenger service were very close to the projected revenues for the quarter.

Express Service:

Through its network of 197 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the second quarter of 2005, revenues from express operations were $1,717,000, up slightly from the revenues of $1,664,000 realized in the second quarter of 2004. Revenues for the first six months' express operations were $3,049,000, up from the $2,904,000 in revenues for the same period in the previous year.

Express operating expenses during the quarter amounted to $954,000, down from the $958,000 in expenses for the same period the previous year. Expenses for the first six months amounted to $1,873,000, compared to $1,863,000 in the first two quarters of 2004.

Overall, profits for freight operations in the second quarter amounted to $763,000, compared to a profit of $706,000 for the second quarter of 2004. Year-to-date profit is $1,176,000, compared to $1,041,000 for the first six months of 2004.

Revenues for freight operations are above expectations for the quarter. The farming economy has a major impact on this aspect of STC's business, which is very heavily driven by the rural economy. A strengthening farm sector is indicated by the revenue growth.

Depending on agricultural conditions for the remainder of the year, express revenues are projected to be near-budget.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the second quarter of 2005 amounted to $653,000, as compared to $516,000 for the same three-month period in 2004. For the first two quarters, expenses amounted to $1,281,000, compared to $1,146,000 for the first half of 2004.

Financial Services:

Overall, STC's revenues for the second quarter of 2005 amounted to $3,439,000, compared to $3,407,000 for the second quarter of 2004. Cumulatively for the first two quarters, revenues amounted to $6,628,000, compared to $6,348,000 in 2004.

Expenses were $4,977,000, compared to $4,452,000 the previous year. Expenses for the first two quarters of 2005 totaled $9,676,000, up from $9,033,000 for the same period in 2004.

The company's loss, before grants, for the quarter was $1,538,000, compared to $1,045,000 for the second quarter of 2004. Losses in the first half amounted to $3,048,000, compared to $2,685,000 for the same period the previous year.

STC has been approved for an operating grant of $4.1 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the second quarter, indicate that the company will require that amount of grant funding. The projected operating loss for the year is $4.0 million, compared to $3.3 million in 2004.

In the second quarter, STC drew down $2.2 million of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at $8,168,000, compared to $8,901,000 at the same time last year.

Other Issues:

For the second quarter in a row, STC saw it's passenger count grow in a year-to-year comparison. For the first six months of 2005, STC carried 126,366 passengers, compared to 124,440 for the same period in 2004. If this trend continues, STC is on track to see its first actual growth in passengers in almost 20 years.

In June, Executive Council of the Government of Saskatchewan gave STC authority to construct a new depot and head office facility in Regina, and approved a grant of up to $2.2 million from the Crown Investments Corporation of Saskatchewan to assemble the land needed for the new facility.

Saskatchewan Transportation Company

Statement of Financial Position
(unaudited - thousands of dollars)

	As at June 30, 2005	As at December 31, 2004
Assets		
Current		
Cash	$ 931	$ 1,155
Accounts receivable	1,290	1,499
Inventories	351	326
Prepaid expenses	447	151
	3,019	3,131
Property, plant and equipment	15,691	16,172
	$ 18,710	$ 19,303
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities	$ 2,116	$ 2,460
	2,116	2,460
Deferred capital grant	8,426	8,495
Province of Saskatchewan's Equity		
Retained earnings	8,168	8,348
	$ 18,710	$ 19,303

Saskatchewan Transportation Company

Statement of Operations and Retained Earnings

(unaudited - thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2005	**2004**	**2005**	**2004**
Revenue				
Express services	$ 1,717	$ 1,664	$ 3,049	$ 2,904
Passenger services	1,598	1,611	3,312	3,179
Other	141	132	287	266
Loss on disposal of property, plant and equipmen	(17)	-	(20)	(1)
	3,439	3,407	6,628	6,348
Expenses				
Operating	3,707	3,355	7,354	6,868
Administration	702	674	1,303	1,313
Amortization	568	423	1,019	852
	4,977	4,452	9,676	9,033
Loss before the following	(1,538)	(1,045)	(3,048)	(2,585)
Operating Grant	1,300	1,200	2,200	2,700
Capital Grant	393	236	668	484
Net income (loss)	155	391	(180)	499
Retained earnings, beginning of perioc	8,013	8,510	8,348	8,402
Retained earnings, end of period	$ 8,168	$ 8,901	$ 8,168	$ 8,901

Saskatchewan Transportation Company

Statement of Cash Flows
(unaudited - thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Operating Activities				
Net income (loss)	$ 155	$ 391	$ (180)	$ 499
Items not involving cash:				
Amortization	568	423	1,019	852
Loss on disposal of property, plant and equipmen	17	-	20	1
Recognition of capital grant	(393)	(236)	(568)	(484)
Net change in non-cash working capita	(310)	(610)	(457)	(443)
Cash provided by (used in) operating activities	37	(32)	(266)	425
Investing Activities				
Additions to property, plant and equipmen	(76)	(60)	(540)	(79)
Proceeds on disposal of property, plant and equipmen	54	-	56	9
Deferred Start Up Costs	(68)	-	(74)	-
Cash used in investing activities	(90)	(60)	(558)	(70)
Financing Activities				
Repaymnet of demand operating loan	-	-	-	(300)
Capital grant received	300	-	600	-
Cash used in financing activities	300	-	600	(300)
Increase (Decrease) in cash	247	(92)	(224)	55
Cash, beginning of period	684	1,029	1,155	882
Cash, end of period	$ 931	$ 937	$ 931	$ 937

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2004.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2004.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.